

Vakrangee Limited

	Amount	Rating Action
	In Rs. Crore	
Long term, fund based bank facilities	400.0 (increased from Rs 350.0 crore)	[ICRA]BB+(Stable); reaffirmed
Long term, term loans	15.6 (reduced from Rs 225.0 crore)	[ICRA]BB+(Stable); reaffirmed
Short term, non-fund based bank facilities	110.9 (reduced from Rs 300.0 crore)	[ICRA]A4+; reaffirmed

ICRA has reaffirmed the long term rating of [ICRA]BB+ (pronounced ICRA double B plus)¹ assigned to the Rs 400.0 crore² (increased from Rs 350.0 crore) fund based facilities and the Rs 15.6 crore (reduced from Rs 225.0 crore) term loans of Vakrangee Limited (Vakrangee). The outlook on the long term rating is 'Stable'. ICRA has also reaffirmed the short term rating of [ICRA]A4+ (pronounced ICRA A four plus) assigned to the Rs 110.9 crore (reduced from Rs 300.0 crore) non-fund based facilities of Vakrangee Limited.

The ratings reaffirmation takes into account the company's proven track record in executing various e-governance projects as well as its established relationships with several government departments. The ratings also favourably factor in the increased roll-out of Vakrangee Kendras across multiple states by the company, which has supported revenue growth of the company. ICRA also takes note of the increased thrust of the Government of India on social welfare schemes such as Pradhan Mantri Jan Dhan Yojna (PMJDY) and Direct Benefit Transfer (DBT) to improve transparency and reduce leakage; with revenues of Vakrangee Kendras proportional to the transaction volumes, it is expected to drive revenue growth for the company. Further, Vakrangee's recent tie-ups with insurance, logistics and e-commerce companies provides additional revenue stream to the company.

Notwithstanding the above, the ratings remain constrained by the working capital intensive nature of operations of the company characterized by high receivables as well as large advances to suppliers. The ratings also factor in the evolving revenue model for Vakrangee Kendras with company having launched some of the services (E-commerce, logistics) on pilot basis. In the backdrop of tapering off of the revenues from the legacy segment (owing to the conscious decision of the management), ability of the company to successfully integrate these facilities across outlets as well as ramp up new outlets in a timely manner, will remain critical determinants of its revenue and profitability levels. Going forward, with increasing focus on the relatively less working capital intensive Vakrangee Kendra business, improvement in liquidity shall be a key monitorable.

Company Profile

Incorporated in 1990, Vakrangee Limited is a systems integrator and IT enabled solutions provider. The company is presently engaged into two business segments- E-Governance and Vakrangee Kendras. Under the former segment, the company executes various mission mode projects under the National E-Governance Plan of India, with services including large scale enrolment, print management solutions (PMS) and document management solutions (DMS). Vakrangee is also one of the major enrolment agencies for the UIDAI (Unique Identification Authority of India).

Under the second segment, Vakrangee offer services like banking/ATM, insurance, e-governance and e-commerce through various franchise operated outlets (21,820 as on June 30, 2016). This project forms part of the financial inclusion project of Ministry of Finance and RBI. The company plans to set up and operate 75,000 Vakrangee Kendras by 2020.

While the E-governance segment has been the legacy segment for the company, given the capital intensive and working capital intensive nature of the segment, Vakrangee now proposes to exit this segment and focus only on the franchise operated Vakrangee Kendra segment. During FY2016, the company derived around 53%

¹ For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

² 100 lakh = 1 crore = 10 million



of its revenues (vis-a-vis 43% in FY2015) from the Vakrangee Kendra segment, with balance being accounted for by the E-Governance segment.

Recent Results

On a consolidated basis, the company reported net profit of Rs 394.8 crore on an operating income of Rs 3,190.7 crore in FY2016 as against net profit of Rs 321.8 crore on an operating income of Rs 2,780.5 crore in FY2015.

On a consolidated basis, the company reported net profit of Rs 121.5 crore on an operating income of Rs 917.5 crore in Q1' FY2017 (unaudited) as against net profit of Rs 86.8 crore on an operating income of Rs 704.3 crore in Q1' FY2016 (unaudited).

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